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TO RUEHC/SECSTATE WASHDC PRIORITY 3108
INFO RUEHBO/AMEMBASSY BOGOTA 4124
RUEHBR/AMEMBASSY BRASILIA 7100
RUEHBY/AMEMBASSY CANBERRA 0407
RUEHCV/AMEMBASSY CARACAS 9964
RUEHLP/AMEMBASSY LA PAZ NOV MEXICO 3451
RUEHMN/AMEMBASSY MONTEVIDEO 9039
RUEHOT/AMEMBASSY OTTAWA 3061
RUEHQT/AMEMBASSY QUITO 0841
RUEHSG/AMEMBASSY SANTIAGO 0968
RUEHUL/AMEMBASSY SEOUL 0545
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC
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RUEATRS/DEPT OF TREASURY WASHDC
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DEPT FOR E, H, EB AND WHA
COMMERCE FOR 4331/MAC/WH/MCAMERON
USTR FOR EEISSENSTAT, BHARMAN AND JMCCARTHY

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SUBJECT: GOP POSTPONES PUSH FOR FTA UNTIL NEW U.S. CONGRESS

11. (SBU) SUMMARY. Prime Minister Jorge del Castillo announced on November 27 that the GOP would no longer seek ratification of the U.S.-Peru Trade Promotion Agreement (PTPA) by the current U.S. Congress, choosing to wait until early next year to engage the incoming Congress. Following several weeks of internal debate and consultations with the USG and the Congress, Del Castillo said that submitting the legislation this year would run a high risk of having the legislation voted down. Del Castillo made the announcement after President Garcia had called a cabinet meeting, which included Ambassador to the U.S. Felipe Ortiz de Zevallos and PTPA Special Envoy Hernando de Soto, to discuss steps forward. Plans for PM Del Castillo to lead a delegation of seven ministers to Washington next week were skillfully shelved. END SUMMARY.

DE SOTO: NOT JUST A TRADE AGREEMENT

12. (SBU) Hernando de Soto noted that the Democrats had won control of the House and Senate and that Peru needed to accommodate their different "demands and perspectives". He noted that the White House and Democrats in Congress preferred that the PTPA be considered by the new Congress. De Soto said he believed the PTPA was viewed in the U.S. as not only a trade agreement, but in terms of geo-politics, hemispheric security and support for free market economies. He said he believed the Democrats appreciated his proposals for the "TLC adentro" (the internal FTA), as de Soto describes his ideas for allowing more Peruvians to benefit from free trade. De Soto mentioned that his team's efforts would resume in the first quarter of 2007, culminating in March. Parenthetically, he said he had "indications" that the ATPDEA legislation would be extended in the lame duck session this year around December 4, but was awaiting confirmation.

TRADE MINISTER: SEEKING FTAS WITH OTHERS

¶3. (U) Trade Minister Mercedes Araoz noted that while approval of the PTPA is extremely important for Peru, the GOP is also engaged in an effort to broaden its global trading relationships. She mentioned possible negotiations with Canada and Korea as well as other countries in Asia, including Australia and China. Ambassador Ortiz de Zevallos cautioned against disappointment over the delay. He noted that the PTPA was a process that had begun several years ago, and that several steps were needed before the PTPA could be approved. On the bright side, the postponement enables Peru to keep advancing on complex implementation issues to avoid future delays.

COMMENT

¶4. (SBU) The scale of the Democratic victory in Congress and the unlikelihood that the PTPA would be considered this year had started a public blame game among many, including former GOP officials. The Garcia Administration had felt growing pressure to demonstrate it was doing all it could to ensure swift ratification. Among other things, a series of consultations in Lima and Washington led the GOP to grudgingly accept the U.S. political realities, postpone the government's high-profile cabinet trip to Washington, and skillfully fashion a face-saving public response to demonstrate to voters that it is in control of the issue.
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